## ABSTRACT OF THE DISCLOSURE

An apparatus and method are provided for determining optimum prices of products for sale. The apparatus includes a scenario/results processor, a demand engine, an activity based cost engine, and a price optimization engine. The scenario/results processor enables a user to prescribe an optimization scenario, and presents the optimum prices to the user, where the optimum prices are determined by execution of the optimization scenario. The demand engine is coupled to the scenario/results processor, and models relationships between potential prices of the products and market demand for the products. The activity based cost engine is coupled to the demand engine. The activity based cost engine estimates demand chain costs for the products based upon the market demand. The price optimization engine is coupled to the demand engine and the activity based cost engine. The price optimization engine employs the market demand and the demand chain costs to determine the optimum prices, where the optimum prices are a subset of the potential prices, and where the optimum prices maximize a merchandising performance figure of merit according to the optimization scenario.